



October 17, 2012

Basel III Comment
Federal Reserve Bank
20th Street and Constitution Avenue, NW
Washington, DC 20551

Re: BASEL III

Texas First State Bank has approximately \$325 million in assets and at this time has approximately \$190 million in securities. This 106 year old bank is domiciled in Riesel, Texas, and is very involved in providing loans and deposits to the Central Texas residents and small businesses.

I am writing to you regarding the proposed requirements to be imposed upon the bank by BASEL III. In order for a small community bank to serve its community, we have utilized TRUST PREFERRED SECURITIES to provide additional long-term capital. Under BASEL III, this would be phased out, even though we are contractually obligated for an additional 20 years.

In a small community bank, we assist customers over a spectrum of credit standards and down-payment abilities. This enables us to serve the needs of our community. Under BASEL III, we will be required to maintain extra capital to support the loans of our customers who do not meet certain proposed loan standards. This will cause us to restrict real estate lending. This will negatively impact our community.

In the proposed BASEL III, the bank will be required to have increased levels of equity capital to leverage the assets of the bank. This will restrict the growth of the bank and limit its ability to serve the community.

In light of the negative impact of BASEL III, we strongly urge you to not enact this policy.

Yours very truly,

Rodney G. Kroll
President & Chairman

TEXAS FIRST STATE BANK

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